

**BOONE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

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Introductory Section

Board of Education and School District Officials

At June 30, 2010

Name	Title	Term Expires
Board of Education		
(Before September, 2009 Election)		
Dr. Jeffrey Anderson	President	2011
Kirk Leeds	Vice President	2009
Shiloh Burke	Board Member	2011
Everett Johnson	Board Member	2009
Brad O'Neal	Board Member	2011
(After September, 2009 Election)		
Dr. Jeffrey Anderson	President	2011
Kirk Leeds	Vice President	2013
Shiloh Burke	Board Member	2011
Dan Tungesvik	Board Member	2013
Brad O'Neal	Board Member	2011
School Officials		
Dr. Brad Manard	Superintendent	Indefinite
Paulette Newbold, CPA	District Secretary/Treasurer	Indefinite

Financial Section



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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report

Board of Education
Boone Community School District
Boone, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District, Boone, Iowa, at and for the year ended June 30, 2010, and the discretely presented component unit at and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District at June 30, 2010 and the discretely presented component unit at December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010 on our consideration of the Boone Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress for the retiree health plan on Pages 4 through 14 and 41 and 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on the 2009, 2008 and 2007 financial statements and a qualified opinion on the 2006 financial statements. Other supplementary information included on Pages 43 through 53, including the accompanying schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 21, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Boone Community School District is pleased to provide this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the District's financial performance is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- The General Fund ending undesignated, unreserved fund balance increased from \$2,050,542 at June 30, 2009 to \$2,691,323 at June 30, 2010, which represents a 12.6% solvency ratio.
- General Fund revenue decreased 3.7% from \$22,045,887 in fiscal year 2009 to \$21,240,428 in 2010, a revenue decrease of \$805,459. The decrease in General Fund revenues was primarily attributable to a 10% across-the-board cut to state foundation aid by Governor Culver in October, 2009.
- General Fund expenditures decreased 1.1% from \$20,518,902 in 2009 to \$20,299,199 for fiscal year 2010, a decrease of \$219,703. This decrease is primarily attributable to the expiration of the two-way whole grade sharing agreement with United Community School District and attrition of staff due to declining enrollment.
- A decline in interest rates during the past four fiscal years resulted in interest earnings in the General Fund decreasing from \$140,737 in fiscal year 2009 to \$20,719 in fiscal year 2010, an 85.3% decrease.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of the Boone Community School District as a whole and present an overall view of the District's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Boone Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the Boone Community School District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year and a schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

The following diagram, Figure A-1, shows how the various parts of this annual report are arranged and related to one another.

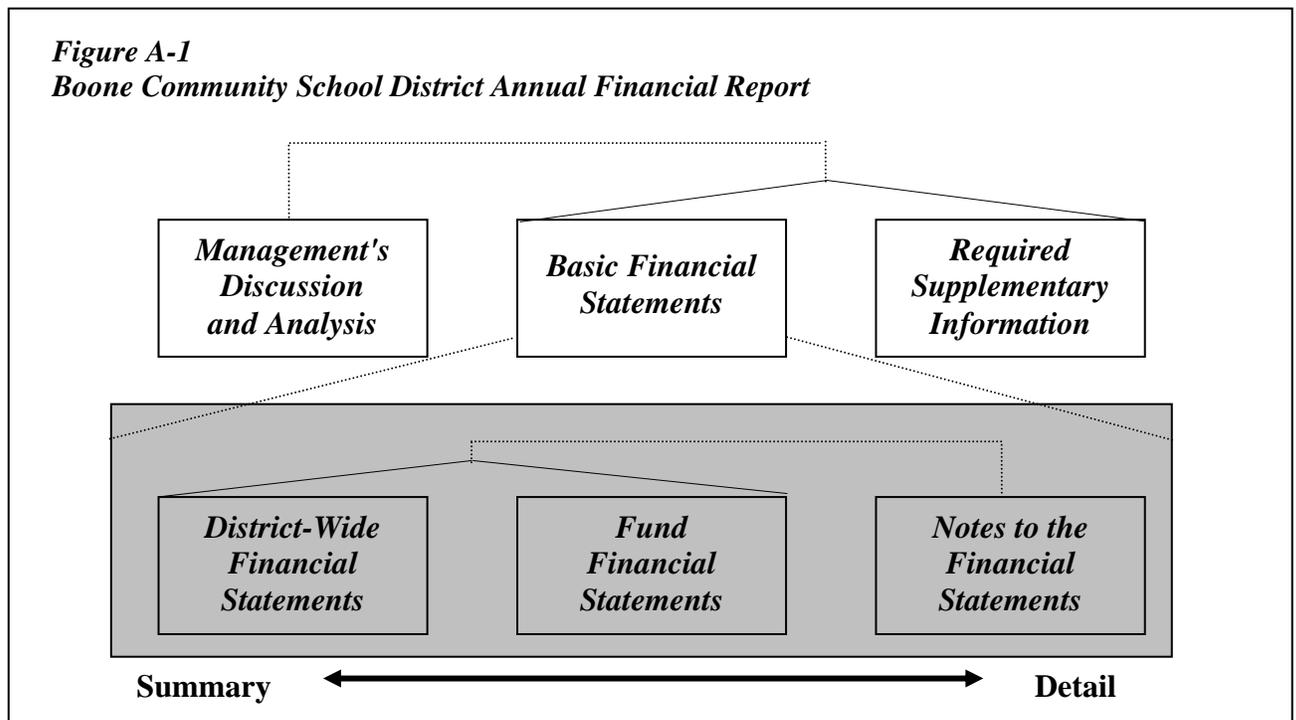


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<i>Figure A-2</i>				
<i>Major Features of the Government-Wide and Fund Financial Statements</i>				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statements of revenue, expenditures and changes in fund balances	Statement of net assets Statement of revenue, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon after	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities and how they have changed. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

Review of BCSD Property Tax Valuations by Year

Year	Taxable Valuation Without TIF	Increase/ (Decrease) Over Previous Year	Percent Change
FY02	\$ 321,167,755	\$ 14,379,015	4.69 %
FY03	344,867,757	23,700,002	7.38 %
FY04	347,487,596	2,619,839	0.76 %
FY05	321,980,515	(25,507,081)	(7.34)%
FY06	330,923,798	8,943,283	2.78 %
FY07	376,972,897	46,049,099	13.92 %
FY08	382,551,700	5,578,803	1.48 %
FY09	397,048,126	14,496,426	3.79 %
FY10	415,002,669	17,954,543	4.52 %

BCSD Facilities by Age

	Built	Additions
Boone High School	1913	1924, 1954, 1986, 1995
Bryant Elementary	1939	
Lowell Elementary	1939	
Lincoln Elementary	1939	1960
Franklin Elementary	1954	1998, 2010
Page Elementary	1960	
Boone Middle School	2006	2010

In the government-wide financial statements, the District's activities are divided into two categories.

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business-type activities: The District charges fees to help cover the costs of certain services it provides. The Nutrition Fund is included here.

The District's Student Enterprise program was closed and the residual equity was transferred to the Student Activity Fund, FFA account during the year ended June 30, 2010.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenue.

The District has three types of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund. The Student Enterprise Fund was transferred to the Student Activity, governmental fund during the year ended June 30, 2010.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenue, expenses and changes in net assets and a statement of cash flows.

- *Fiduciary funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District *excludes* these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Figure A-3 provides a summary of the District’s net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and Other Assets	20,872	17,619	178	129	21,050	17,748	18.6 %
Capital Assets	24,484	18,905	188	204	24,672	19,109	29.1 %
Total Assets	45,356	36,524	366	333	45,722	36,857	24.1 %
Long-Term Liabilities	19,040	10,739	-	-	19,040	10,739	77.3 %
Other Liabilities	11,417	12,154	21	13	11,438	12,167	(6.0)%
Total Liabilities	30,457	22,893	21	13	30,478	22,906	33.1 %
Net Assets							
Invested in capital assets, net of related debt	5,573	8,315	188	204	5,761	8,519	(32.4)%
Restricted	5,706	2,526	-	-	5,706	2,526	125.9 %
Unrestricted	3,620	2,790	157	116	3,777	2,906	29.9 %
Total Net Assets	14,899	13,631	345	320	15,244	13,951	9.3 %

The District’s combined net assets increased 9.3%, or approximately \$1,293,000, over the prior year. The largest portion of the District’s net assets are invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s total restricted net assets increased by approximately \$3,181,000, or 125%, over the prior period. The increase was primarily a result of unexpended revenue bond proceeds and required reserves received during fiscal year 2010 to fund the Franklin Elementary and Middle School construction projects in progress.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased by approximately \$870,000, or 29.9%, primarily due to a continued effort to reduce expenditures through early retirement incentives and attrition to offset declining enrollment and uncertain future funding.

Changes in Net Assets – Figure A-4 shows a summary of the District’s changes in net assets for the fiscal year ended June 30, 2010 as compared to fiscal year 2009.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenue							
Program Revenue							
Charge for service	1,663	2,208	536	529	2,199	2,737	(19.7)%
Operating grants and contributions	4,945	3,342	440	391	5,385	3,733	44.3 %
General Revenue							
Property tax	7,745	7,228	-	-	7,745	7,228	7.2 %
Local option sales tax	1,301	1,282	-	-	1,301	1,282	1.5 %
Income surtax	828	897	-	-	828	897	(7.7)%
Unrestricted state grants	8,002	9,571	-	-	8,002	9,571	(16.4)%
Unrestricted investment earnings	33	164	-	1	33	165	(80.0)%
Other	72	180	-	-	72	180	(60.0)%
Insurance reimbursement for assets	-	130	-	-	-	130	(100.0)%
Transfers (net)	10	-	(10)	-	-	-	0.0 %
Total Revenue	24,599	25,002	966	921	25,565	25,923	(1.4)%
Program Expenses							
Instruction	15,433	15,601	-	-	15,433	15,601	(1.1)%
Support services	6,218	6,084	-	-	6,218	6,084	2.2 %
Non-instructional programs	-	-	941	906	941	906	3.9 %
Other expenses	1,680	1,234	-	-	1,680	1,234	36.1 %
Total Expenses	23,331	22,919	941	906	24,272	23,825	1.9 %
Change in Net Assets	1,268	2,083	25	15	1,293	2,098	(38.4)%

Property tax and unrestricted state grants accounted for 64% of the District’s total revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business-type activities.

The District’s total revenues were approximately \$25.6 million, of which \$24.6 million was for governmental activities and less than \$1 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 1.4% decrease in revenues and a 1.9% increase in expenses. The decrease in revenue is primarily due to a reduction in state aid and the increase in expenses can be attributed to construction and remodeling projects in progress.

Governmental Activities

Revenues for governmental activities were \$24,588,641 and expenses were \$23,330,876 for the year ended June 30, 2010.

The following table presents the total and net cost of the District’s major governmental activities, instruction, support services and other expenses for the years ended June 30, 2010 and 2009.

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in thousands)**

	2010	2009	2010	2009
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
Instruction	\$ 15,433	\$ 15,601	\$ 9,786	\$ 10,885
Support Services	6,218	6,084	6,097	6,024
Other Expenses	1,680	1,234	840	460
Total	\$ 23,331	\$ 22,919	\$ 16,723	\$ 17,369

For the year ended June 30, 2010:

- The cost financed by users of the District’s programs was \$1,662,836.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,945,224.
- The net cost of governmental activities was financed with \$9,873,820 in property and other taxes and \$8,001,723 in unrestricted state grants.

Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2010 were \$976,088, representing a 6% increase over the prior year, while expenses totaled \$940,570, a 3.8% increase over the prior year.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Boone Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,668,568 above last year’s ending fund balances of \$4,647,201. However, the primary reason for the increase in combined fund balances is due to approximately \$3 million of unexpended revenue bond proceeds and required reserves received in fiscal year 2010.

Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$941,986 at the end of fiscal year 2010 to \$3,142,538. This increase was due to a continued effort to reduce expenditures through early retirement incentives and attrition to offset declining enrollment. State categorical reserved fund balances also increased.
- The Capital Projects Fund balance increased from \$1,687,441 at the end of fiscal year 2009 to \$4,184,018 at the end of fiscal year 2010. At June 30, 2010, approximately \$1.3 million remained unexpended on the construction projects in progress.

The District collects statewide sales and service tax revenue and is required to account for this revenue in a separate fund. The District's share of revenue from the SILO sales tax from Boone County was \$1,301,210 for fiscal year 2010.

- The Debt Service Fund balance increased from \$212,816 at the end of fiscal year 2009 to \$710,492 at the end of fiscal year 2010. This is due to the revenue bond provisions requiring a sinking account.

Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$304,578 to \$344,635 at June 30, 2010.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District did not amend its annual budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$24.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$656,095.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Land	319	319	-	-	319	319	0.0 %
Construction in Progress	6,251	402	-	-	6,251	402	1,455.0 %
Buildings	17,088	17,508	-	-	17,088	17,508	(2.4)%
Furniture and Equipment	825	676	188	204	1,013	880	15.1 %
Total	24,483	18,905	188	204	24,671	19,109	29.1 %

LONG-TERM DEBT

On June 30, 2010, the District had a total of \$79,265,112 in general obligation bonds and other long-term obligations outstanding. This represents an increase of 78.9% from the prior year total of \$10,707,379. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Early retirement obligations increased from \$117,379 at June 30, 2009 to \$148,550 at June 30, 2010. Early retirement incentives are accrued upon retirement and paid to retirees the following January.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General Obligation Bonds	10,030	10,590	(5.3)%
Revenue Bonds	8,930	-	100.0 %
Early Retirement	149	117	27.4 %
Net OPEB Liability	40	32	25.0 %
Total	19,149	10,739	78.3 %

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- State allowable growth for public schools remained at 4% for fiscal year 2010. The allowable growth for fiscal year 2011 is set at 2%, and the allowable growth for fiscal year 2012 is still undetermined. The certified enrollment figures reported in October 2010, which will be the basis for the District's state funding for fiscal year 2012, increased by 47 students, or 2.2% over the current year. This follows five years of declining enrollment.
- The Revenue Estimating Conference report in December of 2010 indicated the economy may slowly be recovering with an increase in state revenue projections. Even so, the economy is still a concern as K-12 education comprises approximately 47% of the state's General Fund appropriations.
- The District enters into annual contracts with its two collective bargaining units. Growth in employee wages and benefits has outpaced state funding to schools which has a profound effect on the District's General Fund budget as salaries and benefits remain close to 80% of General Fund expenditures. Corresponding cost reductions may be necessary to offset the cost of negotiated settlements and other cost increases above the District's new money.
- The Board of Education offered the early retirement plan for fiscal year 2010 but not for fiscal year 2011. The early retirement plan is reviewed annually to determine if it is in the best interest of the District to implement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Paulette Newbold, CPA, District Secretary/Treasurer and Director of Business Services, Boone Community School District, 500 Seventh Street, Boone, Iowa 50036-2898.

Basic Financial Statements

Statement of Net Assets

At June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
Assets				
Cash and cash equivalents.....	\$ 11,007,079	\$ 154,599	\$ 11,161,678	\$ 367,116
Receivables				
Property Taxes, Net of Allowance				
Current year delinquent	126,403	—	126,403	—
Succeeding year	7,905,275	—	7,905,275	—
Accrued interest.....	103	—	103	—
Other.....	103,918	3,771	107,689	—
Due from other governments.....	1,546,440	—	1,546,440	—
Inventories and prepaid expenses.....	17,111	20,109	37,220	—
Unamortized underwriter's discount.....	165,357	—	165,357	—
Capital assets, net of accumulated depreciation	<u>24,483,659</u>	<u>187,656</u>	<u>24,671,315</u>	<u>—</u>
Total Assets	<u>\$ 45,355,345</u>	<u>\$ 366,135</u>	<u>\$ 45,721,480</u>	<u>\$ 367,116</u>
Liabilities				
Accounts payable.....	\$ 1,124,923	\$ 8,850	\$ 1,133,773	\$ —
Salaries and benefits payable.....	1,857,570	12,650	1,870,220	—
Due to other governments	25,150	—	25,150	—
Accrued interest payable	271,347	—	271,347	—
Deferred Revenue				
Other.....	7,385	—	7,385	—
Succeeding year property taxes.....	7,905,275	—	7,905,275	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds payable	565,000	—	565,000	—
Revenue bonds payable	225,000	—	225,000	—
Early retirement	148,550	—	148,550	—
Portion Due After One Year				
General obligation bonds payable	9,465,000	—	9,465,000	—
Revenue bonds payable	8,705,000	—	8,705,000	—
Unamortized premium on bonds payable.....	116,462	—	116,462	—
Net OPEB liability	<u>40,100</u>	<u>—</u>	<u>40,100</u>	<u>—</u>
Total Liabilities	<u>30,456,762</u>	<u>21,500</u>	<u>30,478,262</u>	<u>—</u>
Net Assets				
Invested in capital assets, net of related debt.....	5,572,554	187,656	5,760,210	—
Restricted For				
Categorical funding	451,215	—	451,215	—
Management levy	186,999	—	186,999	—
Property, plant and equipment levy.....	207,244	—	207,244	—
Other special revenue purpose	237,277	—	237,277	—
Capital projects.....	4,184,018	—	4,184,018	—
Debt service.....	439,145	—	439,145	—
Unrestricted.....	<u>3,620,131</u>	<u>156,979</u>	<u>3,777,110</u>	<u>367,116</u>
Total Net Assets	<u>14,898,583</u>	<u>344,635</u>	<u>15,243,218</u>	<u>367,116</u>
Total Liabilities and Net Assets	<u>\$ 45,355,345</u>	<u>\$ 366,135</u>	<u>\$ 45,721,480</u>	<u>\$ 367,116</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
Governmental Activities							
Instruction							
Regular instruction	\$ 10,231,670	\$ 1,062,461	\$ 3,410,901	\$ (5,758,308)	\$ —	\$ (5,758,308)	\$ —
Special instruction	4,051,925	308,988	549,984	(3,192,953)	—	(3,192,953)	—
Other instruction	1,149,408	260,417	54,327	(834,664)	—	(834,664)	—
Total Instruction	<u>15,433,003</u>	<u>1,631,866</u>	<u>4,015,212</u>	<u>(9,785,925)</u>	<u>—</u>	<u>(9,785,925)</u>	<u>—</u>
Support Services							
Student services	694,397	—	—	(694,397)	—	(694,397)	—
Instructional staff services	444,253	—	—	(444,253)	—	(444,253)	—
Administration services	2,351,324	—	—	(2,351,324)	—	(2,351,324)	—
Operation and maintenance of plant services	2,201,001	27,663	81,308	(2,092,030)	—	(2,092,030)	—
Transportation services	527,366	3,307	9,573	(514,486)	—	(514,486)	—
Total Support Services	<u>6,218,341</u>	<u>30,970</u>	<u>90,881</u>	<u>(6,096,490)</u>	<u>—</u>	<u>(6,096,490)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest	834,624	—	—	(834,624)	—	(834,624)	—
AEA flow through	839,131	—	839,131	—	—	—	—
Depreciation - unallocated	5,777	—	—	(5,777)	—	(5,777)	—
Total Other Expenditures	<u>1,679,532</u>	<u>—</u>	<u>839,131</u>	<u>(840,401)</u>	<u>—</u>	<u>(840,401)</u>	<u>—</u>
Total Governmental Activities	<u>23,330,876</u>	<u>1,662,836</u>	<u>4,945,224</u>	<u>(16,722,816)</u>	<u>—</u>	<u>(16,722,816)</u>	<u>—</u>
Business-Type Activities							
Noninstructional Programs							
Nutrition services	933,871	533,627	440,140	—	39,896	39,896	—
Student enterprise	6,699	2,147	—	—	(4,552)	(4,552)	—
Total Business-Type Activities	<u>940,570</u>	<u>535,774</u>	<u>440,140</u>	<u>—</u>	<u>35,344</u>	<u>35,344</u>	<u>—</u>
Total	<u>\$ 24,271,446</u>	<u>\$ 2,198,610</u>	<u>\$ 5,385,364</u>	<u>(16,722,816)</u>	<u>35,344</u>	<u>(16,687,472)</u>	<u>—</u>
Component Unit							
School Foundation	<u>\$ 16,339</u>	<u>\$ —</u>	<u>\$ 11,549</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,790)</u>
General Revenue							
Property Taxes Levied For							
General purposes				6,405,869	—	6,405,869	—
Management				547,821	—	547,821	—
PPEL				726,157	—	726,157	—
Debt service				65,224	—	65,224	—
Local option sales tax				1,301,210	—	1,301,210	—
Income surtax				827,539	—	827,539	—
Unrestricted State Grants							
General				8,001,723	—	8,001,723	—
Interest and investment earnings				33,002	174	33,176	16,724
Miscellaneous				72,036	—	72,036	—
Transfers in (out)				10,218	(10,218)	—	—
Total General Revenue				<u>17,990,799</u>	<u>(10,044)</u>	<u>17,980,755</u>	<u>16,724</u>
Change in Net Assets				<u>1,267,983</u>	<u>25,300</u>	<u>1,293,283</u>	<u>11,934</u>
Net Assets - Beginning of Year				<u>13,630,600</u>	<u>319,335</u>	<u>13,949,935</u>	<u>355,182</u>
Net Assets - End of Year				<u>\$ 14,898,583</u>	<u>\$ 344,635</u>	<u>\$ 15,243,218</u>	<u>\$ 367,116</u>

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2010

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
Assets					
Cash and pooled investments.....	\$ 5,032,758	\$ 710,177	\$ 4,534,460	\$ 713,994	\$ 10,991,389
Receivables					
Property Taxes, Net					
Current year delinquent.....	104,562	1,059	—	20,782	126,403
Succeeding year	6,620,797	65,840	—	1,218,638	7,905,275
Other.....	7,160	—	—	75	7,235
ISCAP accrued interest.....	103	—	—	—	103
Due from other governments.....	1,168,294	6	378,073	67	1,546,440
Prepaid expenses	17,111	—	—	—	17,111
Total Assets	<u>\$ 12,950,785</u>	<u>\$ 777,082</u>	<u>\$ 4,912,533</u>	<u>\$ 1,953,556</u>	<u>\$ 20,593,956</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 192,195	\$ 750	\$ 728,515	\$ 103,398	\$ 1,024,858
Salaries and benefits payable.....	1,857,570	—	—	—	1,857,570
Due to other governments	25,150	—	—	—	25,150
Deferred Revenue					
Succeeding year property taxes.....	6,620,797	65,840	—	1,218,638	7,905,275
Other.....	1,112,535	—	—	—	1,112,535
Total Liabilities	<u>9,808,247</u>	<u>66,590</u>	<u>728,515</u>	<u>1,322,036</u>	<u>11,925,388</u>
Fund Balances					
Reserved For					
Categorical funding	451,215	—	—	—	451,215
Debt service.....	—	710,492	—	—	710,492
Unreserved, reported in					
General Fund.....	2,691,323	—	—	—	2,691,323
Special Revenue Funds	—	—	—	631,520	631,520
Capital Projects Fund.....	—	—	4,184,018	—	4,184,018
Total Fund Balances	<u>3,142,538</u>	<u>710,492</u>	<u>4,184,018</u>	<u>631,520</u>	<u>8,668,568</u>
Total Liabilities and Fund Balances	<u>\$ 12,950,785</u>	<u>\$ 777,082</u>	<u>\$ 4,912,533</u>	<u>\$ 1,953,556</u>	<u>\$ 20,593,956</u>

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

At June 30, 2010

Total Fund Balances for Governmental Funds (Page 17)..... **\$ 8,668,568**

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds 24,483,659

Internal service fund used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets..... 4,923

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds 1,112,535

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds..... (271,347)

Long-term liabilities, including general obligation bonds, early retirement benefits and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds payable	\$ (8,930,000)	
General obligation bonds payable.....	(10,030,000)	
Other postemployment benefits	(40,100)	
Early retirement benefits	(148,550)	
Unamortized premium on bonds payable	(116,462)	
Unamortized underwriter's discount	165,357	(19,099,755)

Net Assets of Governmental Activities (Page 15) **\$ 14,898,583**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2010

	General	Debt Service	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
Revenue					
Local Sources					
Local taxes	\$ 7,233,409	\$ 65,158	\$ 1,301,210	\$ 1,273,978	\$ 9,873,755
Tuition.....	1,267,917	—	—	—	1,267,917
Other.....	176,344	825	10,759	389,446	577,374
State sources	10,728,876	—	—	—	10,728,876
Federal sources	1,833,882	—	—	81,308	1,915,190
Total Revenue	<u>21,240,428</u>	<u>65,983</u>	<u>1,311,969</u>	<u>1,744,732</u>	<u>24,363,112</u>
Expenditures					
Current					
Instruction					
Regular instruction	8,978,360	—	79,519	444,752	9,502,631
Special instruction	4,050,504	—	—	—	4,050,504
Other instruction.....	859,262	—	—	338,409	1,197,671
Total Instruction	<u>13,888,126</u>	<u>—</u>	<u>79,519</u>	<u>783,161</u>	<u>14,750,806</u>
Support Services					
Student services.....	694,099	—	—	—	694,099
Instructional staff services.....	443,099	—	—	—	443,099
Administration services	2,086,120	—	116,038	132,152	2,334,310
Operation and maintenance of plant services.....	1,893,014	—	—	309,919	2,202,933
Transportation services.....	455,610	—	—	95,596	551,206
Total Support Services.....	<u>5,571,942</u>	<u>—</u>	<u>116,038</u>	<u>537,667</u>	<u>6,225,647</u>
Other Expenditures					
Facilities acquisition and construction	—	—	5,875,761	347,611	6,223,372
Long-Term Debt					
Principal.....	—	5,545,000	—	—	5,545,000
Interest and fiscal charges.....	—	633,442	—	—	633,442
AEA flowthrough	839,131	—	—	—	839,131
Total Other Expenditures.....	<u>839,131</u>	<u>6,178,442</u>	<u>5,875,761</u>	<u>347,611</u>	<u>13,240,945</u>
Total Expenditures.....	<u>20,299,199</u>	<u>6,178,442</u>	<u>6,071,318</u>	<u>1,668,439</u>	<u>34,217,398</u>
Revenue Over (Under) Expenditures	<u>941,229</u>	<u>(6,112,459)</u>	<u>(4,759,349)</u>	<u>76,293</u>	<u>(9,854,286)</u>
Other Financing Sources (Uses)					
Refunding bond issued	—	4,985,000	—	—	4,985,000
Revenue bonds issued	—	—	8,930,000	—	8,930,000
Premium on sale of bonds	—	108,014	17,014	—	125,028
Bond underwriter's discount.....	—	(23,629)	(150,964)	—	(174,593)
Operating transfers in	757	1,540,750	626	10,218	1,552,351
Operating transfers out	—	—	(1,540,750)	(1,383)	(1,542,133)
Total Other Financing Sources (Uses).....	<u>757</u>	<u>6,610,135</u>	<u>7,255,926</u>	<u>8,835</u>	<u>13,875,653</u>
Net Change in Fund Balances	<u>941,986</u>	<u>497,676</u>	<u>2,496,577</u>	<u>85,128</u>	<u>4,021,367</u>
Fund Balance - Beginning of Year	2,200,552	212,816	1,687,441	546,392	4,647,201
Fund Balance - End of Year	<u>\$ 3,142,538</u>	<u>\$ 710,492</u>	<u>\$ 4,184,018</u>	<u>\$ 631,520</u>	<u>\$ 8,668,568</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities _____

Year Ended June 30, 2010

Change in Fund Balances - Total Governmental Funds (Page 19) \$ 4,021,367

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays.....	\$ 6,211,651	
Depreciation expense	<u>(633,016)</u>	5,578,635

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect of these differences in the treatment of long-term debt and related items:

Long-term debt issued	\$ (13,915,000)	
Long-term debt principal repaid	5,545,000	
Premium on sale of bonds	(125,028)	
Bond underwriter's discount.....	174,593	
Amortization of discounts and premiums	(670)	
Increase in accrued interest.....	<u>(200,512)</u>	(8,521,617)

Certain revenue not collected for several months after year end is not considered available revenue and is deferred in governmental funds

Prior period.....	\$ (887,006)	
Current period	<u>1,112,535</u>	225,529

Internal service funds used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities.....

3,340

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund

Early retirement benefits.	\$ (31,171)	
Other postemployment benefits	<u>(8,100)</u>	<u>(39,271)</u>

Change in Net Assets of Governmental Activities (Page 16) \$ 1,267,983

Statement of Net Assets - Proprietary Funds

At June 30, 2010

	Total Nonmajor Enterprise Funds	Internal Service Fund Self-Insurance Fund
Assets		
Cash and cash equivalents	\$ 154,599	\$ 15,690
Receivable - other	3,771	—
Inventories and prepaid items	20,109	—
Capital assets, net of accumulated depreciation	<u>187,656</u>	<u>—</u>
Total Assets	<u>\$ 366,135</u>	<u>\$ 15,690</u>
Liabilities		
Accounts payable	\$ 8,850	\$ 3,381
Salaries and benefits payable	12,650	—
Deferred revenue.....	<u>—</u>	<u>7,386</u>
Total Liabilities	<u>21,500</u>	<u>10,767</u>
Net Assets		
Invested in capital assets	187,656	—
Unrestricted	<u>156,979</u>	<u>4,923</u>
Total Net Assets	<u>344,635</u>	<u>4,923</u>
Total Liabilities and Net Assets	<u>\$ 366,135</u>	<u>\$ 15,690</u>

Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds

Year Ended June 30, 2010

	Total Nonmajor Enterprise Funds	Internal <u>Service Fund</u> Self-Insurance Fund
Operating Revenue		
Charges for service	\$ 535,774	\$ —
Self-insurance contributions	<u>—</u>	<u>82,725</u>
Total Operating Revenue	<u>535,774</u>	<u>82,725</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	349,545	—
Purchased services.....	9,862	—
Supplies	558,084	—
Depreciation	23,079	—
Self-insurance claims and fees.....	<u>—</u>	<u>79,395</u>
Total Operating Expenses	<u>940,570</u>	<u>79,395</u>
Income (Loss) From Operations	<u>(404,796)</u>	<u>3,330</u>
Nonoperating Revenue		
State sources.....	9,302	—
Federal sources.....	430,838	—
Interest on investments	<u>174</u>	<u>10</u>
Total Nonoperating Revenue	<u>440,314</u>	<u>10</u>
Income Before Transfers	35,518	3,340
Transfers out	<u>(10,218)</u>	<u>—</u>
Change in Net Assets	25,300	3,340
Net Assets - Beginning of Year	<u>319,335</u>	<u>1,583</u>
Net Assets - End of Year	<u>\$ 344,635</u>	<u>\$ 4,923</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2010

	Total Nonmajor Enterprise Funds	Internal Service Fund Self-Insurance Fund
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 529,856	\$ —
Cash received from student activities.....	2,147	—
Cash received from assessments made to other funds	—	83,395
Cash payments to employees for services.....	(349,192)	—
Cash payments to suppliers for goods and services.....	(505,131)	—
Cash payments for insurance claims.....	<u>—</u>	<u>(79,919)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(322,320)</u>	<u>3,476</u>
Cash Flows Provided by Noncapital Financing Activities		
State grants received.....	9,302	—
Federal grants received.....	383,463	—
Transfers out	<u>(10,218)</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>382,547</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	<u>(7,000)</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>174</u>	<u>10</u>
Net Increase in Cash and Cash Equivalents.....	53,401	3,486
Cash and Cash Equivalents at Beginning of Year.....	<u>101,198</u>	<u>12,204</u>
Cash and Cash Equivalents at End of Year	<u>\$ 154,599</u>	<u>\$ 15,690</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities		
Income (loss) from operations	\$ (404,796)	\$ 3,330
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used	46,712	—
Depreciation	23,079	—
Changes in Assets and Liabilities		
Decrease in inventories.....	8,436	—
Increase in accounts receivable	(3,771)	—
Increase in salaries and benefits payable	353	—
Increase (decrease) in accounts payable.....	7,667	(524)
Increase in deferred revenue	<u>—</u>	<u>670</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (322,320)</u>	<u>\$ 3,476</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2010, the District received \$47,375 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets - Fiduciary Fund ---

At June 30, 2010

	Private Purpose Trusts
Assets	
Cash, Cash Equivalents and Pooled Investments	<u>\$ 154,544</u>
Liabilities	
Accounts payable	\$ 440
Net Assets	
Reserved for scholarships	<u>154,104</u>
Total Liabilities and Net Assets	<u>\$ 154,544</u>

Statement of Changes in Fiduciary Net Assets - Fiduciary Fund ---

Year Ended June 30, 2010

	Private Purpose Trusts
Additions	
Local Sources	
Gifts and contributions	\$ 7,907
Interest income	<u>1,221</u>
Total Additions	9,128
Deductions	
Support Services	
Scholarships awarded.....	<u>12,821</u>
Change in Net Assets	(3,693)
Net Assets - Beginning of Year	<u>157,797</u>
Net Assets - End of Year	<u>\$ 154,104</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The Boone Community School District is a political subdivision of the State of Iowa and operates a preschool and public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Boone Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District.

These financial statements present the Boone Community School District and its component units. The District has determined that under the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, Boone A & M FFA Chapter is a component unit. Its activities are included as an enterprise fund of the District. During the year ended June 30, 2010, this enterprise fund was closed. All activity for the A & M FFA Chapter is now recorded in the Student Activity Fund. In addition, the component unit discussed below has been included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Boone Educational Endowment Foundation is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for activities of the Boone Community School District. The Foundation is governed by a six-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The financial information presented is as of and for its year end of December 31, 2009.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone County Assessor's Conference Board.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

General Fund is the general operating fund of the District. All general tax revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The *Debt Service Fund* is used to account for the payment of interest and principal on the District's general long-term debt.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The *Capital Projects Fund* is used to account for all resources used in the acquisition, construction and maintenance of capital facilities

The District's proprietary funds are the School Nutrition Fund and the Student Enterprise Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Student Enterprise Fund was closed during the year ended June 30, 2010 and was used to account for activities of student-run enterprises operating to support school programs. These student-run activities are now being recorded in the Student Activity Fund.

The District's internal service fund is the Self-Insurance Fund. This fund is used to account for the self-funded dental insurance plan operated by the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund includes the following:

The *Private Purpose Trust Fund* is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenue.

(1) Summary of Significant Accounting Policies

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term capital investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Taxes Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes receivable are recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property taxes receivable represent unpaid taxes for the current and prior years. The succeeding year property taxes receivable represent taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property taxes receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Food Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. At June 30, 2010, total inventories included government commodities valued at \$9,508 which were on hand. Expenditures are recognized when the inventory is used.

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets at June 30, 2010. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 5,000
Buildings.....	5,000
Improvements other than buildings	5,000
Intangibles.....	50,000
Furniture and Equipment	
School Nutrition equipment	500
Other furniture and equipment	5,000

Property, furniture and equipment are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Buildings.....	50 Years
Improvements other than buildings	20 - 50 Years
Intangibles.....	5 - 10 Years
Furniture and Equipment	
School nutrition equipment.....	12 Years
Other furniture and equipment	10 Years

Salaries and Benefits Payable

Payroll and related expenditures for teachers and staff with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

(1) Summary of Significant Accounting Policies

Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property taxes receivable and other receivables not collected within 60 days after year end

Deferred revenue on the statement of net assets includes succeeding year property taxes receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences

District employees accumulate a limited amount of earned but unused paid time off for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets

In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$7,671,815. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk

The District's Private Purpose Trust Fund investments consist of \$37,091 in certificates of deposits with maturities ranging from August, 2010 to April, 2011.

The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue Student Account	\$ 757
Special Revenue Student Account	Proprietary Student Enterprise Fund	10,218
Debt Service Capital Projects	Capital Projects Special Revenue Student Account	1,540,750
		<u>626</u>
Total		<u>\$ 1,552,351</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Notes to the Financial Statements

(4) Iowa School Cash Anticipation Program

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.5%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.5%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance - Beginning of Year	Advances Received	Advances Repaid	Balance - End of Year
2009-10A	6-25-09	6-23-10	\$ —	\$ —	\$ —	\$ —
2009-10B	2-01-10	1-21-11	—	—	—	—
Total			<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

During the year ended June 30, 2010, the District paid \$42,761 of interest on the ISCAP warrants. The interest was partially offset by premiums on the warrants of \$33,296.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 319,432	\$ —	\$ —	\$ 319,432
Construction in progress	<u>401,523</u>	<u>5,873,390</u>	<u>24,173</u>	<u>6,250,740</u>
Total Capital Assets Not Being Depreciated.....	<u>720,955</u>	<u>5,873,390</u>	<u>24,173</u>	<u>6,570,172</u>
Capital Assets Being Depreciated				
Buildings and improvements	28,049,433	75,998	—	28,125,431
Furniture and equipment.....	<u>1,641,108</u>	<u>286,436</u>	<u>65,800</u>	<u>1,861,744</u>
Total Capital Assets Being Depreciated.....	<u>29,690,541</u>	<u>362,434</u>	<u>65,800</u>	<u>29,987,175</u>
Less Accumulated Depreciation For				
Buildings and improvements.....	10,541,720	495,631	—	11,037,351
Furniture and equipment.....	<u>964,752</u>	<u>137,385</u>	<u>65,800</u>	<u>1,036,337</u>
Total Accumulated Depreciation ..	<u>11,506,472</u>	<u>633,016</u>	<u>65,800</u>	<u>12,073,688</u>
Net Total Capital Assets Being Depreciated.....	<u>18,184,069</u>	<u>(270,582)</u>	<u>—</u>	<u>17,913,487</u>
Net Governmental Activities Capital Assets.....	<u>\$ 18,905,024</u>	<u>\$ 5,602,808</u>	<u>\$ 24,173</u>	<u>\$ 24,483,659</u>

Notes to the Financial Statements

(5) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Furniture and equipment	\$ 338,355	\$ 7,000	\$ —	\$ 345,355
Less accumulated depreciation	<u>134,620</u>	<u>23,079</u>	<u>—</u>	<u>157,699</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 203,735</u>	<u>\$ (16,079)</u>	<u>\$ —</u>	<u>\$ 187,656</u>

Depreciation expense was charged as follows:

Governmental Activities

Instruction				
Regular				\$ 529,638
Other				11,301
Support Services				
Instructional staff services				1,038
Administrative services				15,985
Operation and maintenance of plant services				11,049
Transportation				<u>58,228</u>
Subtotal				627,239
Unallocated				<u>5,777</u>
Total Governmental Activities Depreciation Expense				<u>\$ 633,016</u>

Business-Type Activities

Food Service				<u>\$ 23,079</u>
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation					
bonds	\$ 10,590,000	\$ 4,985,000	\$ 5,545,000	\$ 10,030,000	\$ 565,000
Revenue bonds	—	8,930,000	—	8,930,000	225,000
Early retirement	117,379	148,550	117,379	148,550	148,550
Net OPEB liability	<u>32,000</u>	<u>8,100</u>	<u>—</u>	<u>40,100</u>	<u>—</u>
Total	<u>\$ 10,739,379</u>	<u>\$ 14,071,650</u>	<u>\$ 5,662,379</u>	<u>\$ 19,148,650</u>	<u>\$ 938,550</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

June 30,	Bond Issue of December 22, 2009			Bond Issue of May 1, 2004 Series 2004A			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2011	3.50 - 4.00%	\$ —	\$ 193,850	3.50%	\$ 565,000	\$ 195,716	\$ 565,000	\$ 389,566
2012	3.50 - 4.00	—	193,850	3.50	585,000	175,940	585,000	369,790
2013	3.50 - 4.00	—	193,850	3.50	600,000	155,466	600,000	349,316
2014	3.50 - 4.00	—	193,850	3.60	620,000	134,466	620,000	328,316
2015	3.50 - 4.00	—	193,850	3.70	640,000	112,146	640,000	305,996
2016-20	3.50 4.00	2,940,000	762,425	3.875 - 4.25	650,000	392,400	3,590,000	1,154,825
2021-25	4.00	2,045,000	245,400	4.350 - 4.50	1,385,000	207,126	3,430,000	452,526
Total		\$ 4,985,000	\$ 1,977,075		\$ 5,045,000	\$ 1,373,260	\$ 10,030,000	\$ 3,350,335

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011.....	4.00%	\$ 225,000	\$ 408,340	\$ 633,340
2012.....	4.00	310,000	397,640	707,640
2013.....	4.00	315,000	385,140	700,140
2014.....	4.00	370,000	371,440	741,440
2015.....	4.00	365,000	356,740	721,740
2016-20	4.00 - 4.30	1,935,000	1,555,752	3,490,752
2021-25	4.50 - 5.00	2,355,000	1,089,106	3,444,106
2026-30	5.00 - 5.30	3,055,000	418,600	3,473,600
		\$ 8,930,000	\$ 4,982,758	\$ 13,912,758

The District has pledged future statewide sales, service and use tax revenue to repay the \$8,930,000 of bonds issued in August, 2009. The bonds were issued for the purpose of financing the cost of an addition at the Middle School and an addition and remodeling at Franklin Elementary. The bonds are payable solely from the proceeds of the statewide sales, service and use tax revenue received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, service and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$13,912,758. For the current year, no principal was paid and interest of \$172,017 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,301,210.

Notes to the Financial Statements

(6) Long-Term Liabilities

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- (a) \$748,840 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all the revenue bond provisions during the year ended June 30, 2010.

(7) Operating Leases

The District leases several pieces of equipment with terms ranging from four to five years, under operating leases. The District has also leased facilities within the area to house its home school. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures when incurred. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2010.

Year Ending June 30,	
2011.....	\$ 44,252
2012.....	43,677
2013.....	40,800
2014.....	40,800
Total	<u>\$ 169,529</u>

Total rental expenditures for the year ended June 30, 2010 for all operating leases, except those with terms of a month or less that were not renewed, was \$40,717.

Notes to the Financial Statements

(8) Pension Plan

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.3% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$915,530, \$846,909 and \$835,507, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 217 active and 15 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield Alliance Select. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy

The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution.....	\$ 147,000
Interest on net OPEB obligation	1,400
Adjustment to annual required contribution	(1,300)
Annual OPEB Cost	147,100
Contributions made	(139,000)
Increase in Net OPEB Obligation.....	8,100
Net OPEB Obligation - Beginning of Year	32,000
Net OPEB Obligation - End of Year.....	<u>\$ 40,100</u>

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2010.

For the fiscal year 2010, the District contributed \$139,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 147,100	94.5%	\$ 40,100

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for the period of July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.556 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,556 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.555 million, and the ratio of the UAAL to the covered payroll was 12.4%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$611 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The Boone Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency Support

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$839,131 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least 15 years of full-time services as a licensed employee since the last date of hire and must have reached the age of 55 in the year of retirement no later than the start of the following year school calendar. The employee must also meet the rule of "74" (the employee's age plus years of service equal to at least 74). The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 30% of the employee's regular contractual salary in effect during the employee's last year of regular employment. Early retirement expenditures for the year ended June 30, 2010 totaled \$117,379.

(13) Construction Commitments

The District has entered into contracts totaling approximately \$7,100,000 for the addition at the Middle School and the addition and remodeling at Franklin Elementary. At June 30, 2010, the remaining commitments on these contracts was approximately \$1,300,000.

Notes to the Financial Statements

(14) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and, therefore, are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave at June 30, 2010 was approximately \$1,979,000.

(15) Employee Dental Plan

The District currently sponsors a self-funded dental plan. Under this plan, employees contribute a portion of their compensation and retirees and COBRA participants contribute the total cost toward the cost of maintaining the plan. The District contracts with an insurance company to administer the plan.

The District has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

The following is a summary of the claims activity for the year ended June 30, 2010:

Estimated claims incurred but not reported - June 30, 2009	\$ 3,905
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2010	78,871
Claims paid during the year ended June 30, 2010	<u>79,395</u>
Estimated Claims Incurred But Not Reported - June 30, 2010	<u>\$ 3,381</u>

(16) Subsequent Events

The Board of Education approved the issuance of approximately \$5 million in general obligation bonds in early 2011 to refinance the Series 2004A general obligation bonds that are currently outstanding.

Required Supplementary Information

Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual - All Governmental Funds and Enterprise Funds

Year Ended June 30, 2010

	Governmental Fund Types - Actual	Enterprise Fund - Actual	Total	Original and Final Budget	Over (Under) Budget
Receipts					
Local sources	\$ 11,719,046	\$ 535,948	\$ 12,254,994	\$ 13,535,904	\$ (1,280,910)
State sources	10,728,876	9,302	10,738,178	12,846,879	(2,108,701)
Federal sources	<u>1,915,190</u>	<u>430,838</u>	<u>2,346,028</u>	<u>1,740,300</u>	<u>605,728</u>
Total Receipts	<u>24,363,112</u>	<u>976,088</u>	<u>25,339,200</u>	<u>28,123,083</u>	<u>(2,783,883)</u>
Disbursements					
Instruction.....	14,750,806	—	14,750,806	16,664,346	(1,913,540)
Support services	6,225,647	—	6,225,647	7,254,000	(1,028,353)
Noninstructional programs	—	940,570	940,570	1,416,878	(476,308)
Other expenditures.....	<u>13,240,945</u>	<u>—</u>	<u>13,240,945</u>	<u>18,422,532</u>	<u>(5,181,587)</u>
Total Disbursements	<u>34,217,398</u>	<u>940,570</u>	<u>35,157,968</u>	<u>43,757,756</u>	<u>(8,599,788)</u>
Receipts Over (Under)					
Disbursements.....	(9,854,286)	35,518	(9,818,768)	(15,634,673)	5,815,905
Other Financing Sources (Uses) ..	<u>13,875,653</u>	<u>(10,218)</u>	<u>13,865,435</u>	<u>5,020,000</u>	<u>8,845,435</u>
Receipts and Other Financing Sources Over (Under)					
Disbursements.....	4,021,367	25,300	4,046,667	(10,614,673)	<u>\$ 14,661,340</u>
Balance - Beginning of Year	<u>4,647,201</u>	<u>319,335</u>	<u>4,966,536</u>	<u>12,543,625</u>	
Balance - End of Year	<u>\$ 8,668,568</u>	<u>\$ 344,635</u>	<u>\$ 9,013,203</u>	<u>\$ 1,928,952</u>	

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 1,556,000	\$ 1,556,000	0%	\$ 11,073,000	14.1%
2010	7-1-08	—	1,556,000	1,556,000	0	12,555,000	12.4

See Note 10 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

At June 30, 2010

	<u>Special Revenue Funds</u>			Total Nonmajor Govern- mental Funds
	Management Account	Student Account	PPEL Fund	
Assets				
Cash and pooled investments	\$ 178,005	\$ 244,529	\$ 291,460	\$ 713,994
Receivables				
Property Taxes, Net				
Current year delinquent	8,994	—	11,788	20,782
Succeeding year	485,616	—	733,022	1,218,638
Accounts	—	75	—	75
Due from other governments	—	—	67	67
Total Assets	<u>\$ 672,615</u>	<u>\$ 244,604</u>	<u>\$ 1,036,337</u>	<u>\$ 1,953,556</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ —	\$ 7,327	\$ 96,071	\$ 103,398
Deferred Revenue				
Succeeding year property taxes	485,616	—	733,022	1,218,638
Total Liabilities	<u>485,616</u>	<u>7,327</u>	<u>829,093</u>	<u>1,322,036</u>
Fund Balances				
Unreserved fund balance	186,999	237,277	207,244	631,520
Total Liabilities and Fund Balances	<u>\$ 672,615</u>	<u>\$ 244,604</u>	<u>\$ 1,036,337</u>	<u>\$ 1,953,556</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2010

	<u>Special Revenue Funds</u>			Total Nonmajor Govern- mental Funds
	Management Account	Student Account	PPEL Fund	
Revenue				
Local Sources				
Local taxes	\$ 547,821	\$ —	\$ 726,157	\$ 1,273,978
Other	34,958	354,080	408	389,446
Federal sources	<u>—</u>	<u>—</u>	<u>81,308</u>	<u>81,308</u>
Total Revenue	<u>582,779</u>	<u>354,080</u>	<u>807,873</u>	<u>1,744,732</u>
Expenditures				
Instruction				
Regular instruction	251,657	—	193,095	444,752
Other instruction	<u>—</u>	<u>338,409</u>	<u>—</u>	<u>338,409</u>
Total Instruction	<u>251,657</u>	<u>338,409</u>	<u>193,095</u>	<u>783,161</u>
Support Services				
Administration services	13,908	238	118,006	132,152
Operation and maintenance of plant services	221,374	3,689	84,856	309,919
Transportation services	<u>13,329</u>	<u>—</u>	<u>82,267</u>	<u>95,596</u>
Total Support Services	<u>248,611</u>	<u>3,927</u>	<u>285,129</u>	<u>537,667</u>
Other Expenditures				
Facilities acquisition and construction	<u>—</u>	<u>—</u>	<u>347,611</u>	<u>347,611</u>
Total Expenditures	<u>500,268</u>	<u>342,336</u>	<u>825,835</u>	<u>1,668,439</u>
Revenue Over (Under)				
Expenditures	<u>82,511</u>	<u>11,744</u>	<u>(17,962)</u>	<u>76,293</u>
Other Financing Sources (Uses)				
Operating transfers in	—	10,218	—	10,218
Operating transfers out	<u>—</u>	<u>(1,383)</u>	<u>—</u>	<u>(1,383)</u>
Total Other Financing Sources (Uses)	<u>—</u>	<u>8,835</u>	<u>—</u>	<u>8,835</u>
Net Change in Fund Balance...	82,511	20,579	(17,962)	85,128
Fund Balance - Beginning of Year	<u>104,488</u>	<u>216,698</u>	<u>225,206</u>	<u>546,392</u>
Fund Balance - End of Year	<u>\$ 186,999</u>	<u>\$ 237,277</u>	<u>\$ 207,244</u>	<u>\$ 631,520</u>

See accompanying notes to the financial statements.

Combining Schedule of Net Assets - Nonmajor Proprietary Funds

At June 30, 2010

	School Nutrition	Student Enterprise	Total
Assets			
Cash and cash equivalents	\$ 154,599	\$ —	\$ 154,599
Receivable - other	3,771	—	3,771
Inventories and prepaid items	20,109	—	20,109
Capital assets, net of accumulated depreciation	<u>187,656</u>	<u>—</u>	<u>187,656</u>
Total Assets	<u>\$ 366,135</u>	<u>\$ —</u>	<u>\$ 366,135</u>
Liabilities			
Accounts payable	\$ 8,850	\$ —	\$ 8,850
Salaries and benefits payable	<u>12,650</u>	<u>—</u>	<u>12,650</u>
Total Liabilities	<u>21,500</u>	<u>—</u>	<u>21,500</u>
Net Assets			
Invested in capital assets	187,656	—	187,656
Unrestricted	<u>156,979</u>	<u>—</u>	<u>156,979</u>
Total Net Assets	<u>344,635</u>	<u>—</u>	<u>344,635</u>
Total Liabilities and Net Assets	<u>\$ 366,135</u>	<u>\$ —</u>	<u>\$ 366,135</u>

Combining Schedule of Revenue, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds

Year Ended June 30, 2010

	School Nutrition	Student Enterprise	Total
Operating Revenue			
Local Sources			
Charges for service	<u>\$ 533,627</u>	<u>\$ 2,147</u>	<u>\$ 535,774</u>
Operating Expenses			
Noninstructional Programs			
Food Service Operations			
Salaries and benefits.....	349,545	—	349,545
Purchased services.....	9,862	—	9,862
Supplies	551,385	6,699	558,084
Depreciation	23,079	—	23,079
Total Operating Expenses	<u>933,871</u>	<u>6,699</u>	<u>940,570</u>
Loss From Operations	<u>(400,244)</u>	<u>(4,552)</u>	<u>(404,796)</u>
Nonoperating Revenue			
State sources.....	9,302	—	9,302
Federal sources.....	430,838	—	430,838
Interest on investments	161	13	174
Total Nonoperating Revenue	<u>440,301</u>	<u>13</u>	<u>440,314</u>
Income (Loss) Before Transfers	40,057	(4,539)	35,518
Transfers out	—	(10,218)	(10,218)
Change in Net Assets.....	40,057	(14,757)	25,300
Net Assets - Beginning of Year	<u>304,578</u>	<u>14,757</u>	<u>319,335</u>
Net Assets - End of Year	<u>\$ 344,635</u>	<u>\$ —</u>	<u>\$ 344,635</u>

See accompanying notes to the financial statements.

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2010

	School Nutrition	Student Enterprise	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Cash received from sale of lunches and breakfasts.....	\$ 529,856	\$ —	\$ 529,856
Cash received from student activities.....	—	2,147	2,147
Cash payments to employees for services.....	(349,192)	—	(349,192)
Cash payments to suppliers for goods and services.....	<u>(504,092)</u>	<u>(1,039)</u>	<u>(505,131)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(323,428)</u>	<u>1,108</u>	<u>(322,320)</u>
Cash Flows Provided by Noncapital Financing Activities			
State grants received.....	9,302	—	9,302
Federal grants received.....	383,463	—	383,463
Transfer out.....	<u>—</u>	<u>(10,218)</u>	<u>(10,218)</u>
Net Cash Provided by Noncapital Financing Activities ..	<u>392,765</u>	<u>(10,218)</u>	<u>382,547</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	<u>(7,000)</u>	<u>—</u>	<u>(7,000)</u>
Cash Flows From Investment Activities			
Interest on investments	<u>161</u>	<u>13</u>	<u>174</u>
Net Increase in Cash and Cash Equivalents.....	62,498	(9,097)	53,401
Cash and Cash Equivalents at Beginning of Year.....	<u>92,101</u>	<u>9,097</u>	<u>101,198</u>
Cash and Cash Equivalents at End of Year	<u>\$ 154,599</u>	<u>\$ —</u>	<u>\$ 154,599</u>
Reconciliation of Loss From Operations to Net			
Cash Provided by (Used in) Operating Activities			
Loss from operations.....	\$ (400,244)	\$ (4,552)	\$ (404,796)
Adjustments to Reconcile Loss From Operations to			
Net Cash Provided by (Used in) Operating Activities			
Commodities used	46,712	—	46,712
Depreciation.....	23,079	—	23,079
Changes in Assets and Liabilities			
Decrease in inventories.....	1,737	6,699	8,436
Increase in accounts receivable	(3,771)	—	(3,771)
Increase in salaries and benefits payable	353	—	353
Increase (decrease) in accounts payable.....	<u>8,706</u>	<u>(1,039)</u>	<u>7,667</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (323,428)</u>	<u>\$ 1,108</u>	<u>\$ (322,320)</u>

See accompanying notes to the financial statements.

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2010

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Fund balance unrestricted.....	\$ 472	\$ 10,596	\$ 10,596	\$ 472
Donations (new middle school)	766	—	—	766
Activity tickets	—	69,745	69,745	—
Musicals.....	416	—	—	416
Band uniforms	18,780	12,841	4,836	26,785
Cheerleading	6,586	2,605	520	8,671
Drill team	4,268	—	269	3,999
Basketball - B	10,101	5,338	8,094	7,345
State-sponsored tournament.....	—	17,275	14,338	2,937
Football - B	28,863	18,711	26,566	21,008
Baseball - B	272	9,980	10,252	—
Track - B	6,959	6,263	5,591	7,631
Cross Country - B.....	—	1,756	1,756	—
Soccer - B.....	4,153	94	2,871	1,376
Tennis - B	105	3,196	3,301	—
Golf - B	—	1,052	1,052	—
Swimming - B	—	3,779	3,779	—
Wrestling - B.....	8,352	10,522	14,341	4,533
Basketball - G.....	3,321	8,586	9,393	2,514
Volleyball - G	—	8,411	8,405	6
Softball - G.....	853	6,499	7,352	—
Track - G.....	4,293	1,062	2,885	2,470
Cross Country - G.....	—	2,310	2,310	—
Soccer - G	1,178	1,095	2,273	—
Tennis - G.....	—	3,455	3,455	—
Swimming - G.....	—	2,403	2,403	—
Miscellaneous athletics.....	651	45,332	28,206	17,777
Lift-A-Thon Fund.....	29	763	—	792
Class Day	482	—	—	482
Future Homemakers.....	95	86	—	181
Future Farmers.....	(5,698)	24,557	14,118	4,741
FFA Monsanto Grant.....	—	10,000	6,615	3,385
FFA vending	(3,698)	3,698	—	—
Foreign Language Club	9,654	8,313	7,157	10,810
Chess Club	159	—	—	159
Thespian Club	1,241	4,740	4,859	1,122

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2010

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Peer Helpers.....	\$ 1,079	\$ 620	\$ 188	\$ 1,511
Pottery Club.....	50	—	—	50
Key Club.....	524	827	683	668
Quiz Bowl.....	175	225	—	400
Helping Hands.....	100	—	—	100
National Honor Society.....	1,663	1,125	1,413	1,375
Student Council.....	4,642	14,841	11,440	8,043
Student Congress.....	1,293	4,522	4,857	958
SADD.....	225	82	78	229
SADD - MS.....	412	—	—	412
Journalism - Scroll.....	13,324	17,941	24,368	6,897
Spotlight.....	1,146	8,841	9,948	39
Yearbook - Middle School.....	239	7,021	5,390	1,870
RC Recycle.....	67	—	—	67
Drama.....	17,055	4,910	6,640	15,325
Speech.....	4,624	32	1,534	3,122
Prom.....	6,953	8,041	8,602	6,392
Intramurals.....	1,022	—	—	1,022
Elementary Library.....	574	—	—	574
Bryant Hatchery Fund.....	16	—	—	16
Franklin (jump rope).....	255	—	—	255
Franklin (box top).....	1,109	2,342	336	3,115
Franklin Fit for Life.....	3,000	—	—	3,000
Elementary Honor Choir.....	67	—	—	67
Lincoln.....	1,254	2,586	1,283	2,557
Lowell box tops.....	2,314	—	—	2,314
Lowell PTA/activity.....	1,101	—	—	1,101
Lowell.....	1,699	225	—	1,924
Page.....	1,247	63	166	1,144
Page/Bryant art fundraiser.....	757	—	757	—
Construction Tech.....	2,427	400	1,837	990
Adv Speech Fund.....	375	—	—	375
MS Art IA.....	851	—	—	851
Futures.....	1,418	55	332	1,141
MS Vocal Music.....	—	17,834	17,733	101
MS Band Fund.....	7,278	5,380	3,648	9,010

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2010

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
HS Instrumental Music	\$ 1,195	\$ 12,075	\$ 10,262	\$ 3,008
Orchestra Fund.....	8,840	942	5,087	4,695
PE (Iowa Games)	131	500	—	631
Red Cross Fund	4,063	—	—	4,063
Vocal Music Fund.....	2,983	11,190	11,404	2,769
LEGO League.....	—	40	40	—
MS outdoor working lab.....	2,043	3,825	4,563	1,305
HS/MS Library	3,854	—	—	3,854
Operations and maintenance pop	69	—	—	69
MS principal miscellaneous	3,230	4,633	3,388	4,475
MS principal activity miscellaneous	1,698	1,769	1,223	2,244
Tag fundraising.....	1,623	4,259	4,896	986
TSA high school	2,545	1,404	2,651	1,298
TSA middle school.....	811	1,348	1,672	487
Football score board.....	625	—	625	—
	<u>\$ 216,698</u>	<u>\$ 444,961</u>	<u>\$ 424,382</u>	<u>\$ 237,277</u>

Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis)

Years Ended June 30, 2010, 2009, 2008, 2007 and 2006

	2010	2009	2008	2007	2006
Revenue					
Local Sources					
Local taxes	\$ 9,873,755	\$ 9,362,981	\$ 9,001,345	\$ 9,053,675	\$ 7,883,932
Tuition.....	1,267,917	1,874,517	1,835,631	1,855,694	1,816,342
Other	577,374	765,287	1,013,826	1,300,917	1,548,970
Intermediate source	—	7,854	—	—	479
State sources	10,728,876	11,915,314	12,158,734	11,336,321	11,161,043
Federal sources	<u>1,915,190</u>	<u>915,172</u>	<u>606,531</u>	<u>865,332</u>	<u>541,175</u>
Total	<u>\$ 24,363,112</u>	<u>\$ 24,841,125</u>	<u>\$ 24,616,067</u>	<u>\$ 24,411,939</u>	<u>\$ 22,951,941</u>
Expenditures					
Instruction					
Regular instruction	\$ 9,502,631	\$ 9,880,039	\$ 10,297,855	\$ 10,019,156	\$ 9,031,889
Special instruction	4,050,504	3,936,127	3,723,582	3,797,441	3,762,965
Other instruction.....	1,197,671	1,154,045	1,368,168	1,303,120	1,167,500
Support Services					
Student services.....	694,099	676,150	773,552	746,397	749,001
Instructional staff services.....	443,099	453,867	554,688	714,945	671,320
Administration services	2,334,310	2,336,282	2,305,447	2,314,547	2,152,091
Operation and maintenance of plant services	2,202,933	2,056,123	2,262,848	2,058,498	1,694,632
Transportation services.....	551,206	481,531	556,578	495,398	482,188
Other Expenditures					
Facilities acquisition and construction	6,223,372	735,377	429,108	1,277,941	7,638,697
Long-Term Debt					
Principal.....	5,545,000	755,000	725,000	695,000	680,000
Interest and other charges	633,442	457,960	481,030	503,380	526,606
AEA flowthrough	<u>839,131</u>	<u>774,946</u>	<u>758,746</u>	<u>722,385</u>	<u>682,318</u>
Total	<u>\$ 34,217,398</u>	<u>\$ 23,697,447</u>	<u>\$ 24,236,602</u>	<u>\$ 24,648,208</u>	<u>\$ 29,239,207</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass- Through Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2010	\$ 45,130
National School Lunch Program.....	10.555	FY 2010	385,177
Special Milk Program for Children	10.556	FY 2010	<u>531</u>
Total U.S. Department of Agriculture.....			<u>430,838</u>
U.S. Department of Education			
Pass-Through From Iowa Department of Education			
Title I Grants to Local Education Agencies	84.010**	FY 2010	<u>239,833</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389**	FY 2010	<u>41,770</u>
Special Education - Grants to States	84.027***	FY 2010	<u>16,813</u>
ARRA - Special Education Grants to States, Recovery Act	84.391***	FY 2010	<u>167,354</u>
Career and Technical Education - Basic Grants to States	84.048	FY 2010	<u>21,150</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 2010	<u>6,085</u>
Funds for the Improvement of Education	84.215	FY 2010	<u>81,308</u>
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	FY 2010	<u>2,064</u>
Advanced Placement Program	84.330	FY 2010	<u>112</u>
Improving Teacher Quality State Grants.....	84.367	FY 2010	<u>90,055</u>
Grants for State Assessment and Related Activities	84.369	FY 2010	<u>13,501</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.....	84.394	FY 2010	<u>918,745</u>
Pass-Through From Heartland Area Education Agency			
Special Education - Grants to States	84.027***	FY 2010	<u>120,245</u>
Total Pass-Through U.S. Department of Education			<u>1,719,035</u>
Total			<u>\$ 2,149,873</u>

* Includes \$45,130 of noncash awards

** Total expenditures for CFDA numbers 84.010 and 84.389 were \$281,603

*** Total expenditures for CFDA numbers 84.027 and 84.391 were \$304,412

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Boone Community School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

The Boone Community School District provided no federal awards to subrecipients.

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Certified Public Accountants and Consultants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Education
Boone Community School District
Boone, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District as of and for the year ended June 30, 2010, and the discretely presented component unit as of and for the year ended December 31, 2009, which collectively comprise the Boone Community School District's basic financial statements, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Boone Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Boone Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 10-II-IC-1, 10-II-IC-2 and 10-II-IC-5 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 10-II-IC-3 and 10-II-IC-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boone Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Boone Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the District's responses, we did not audit the Boone Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Boone Community School District and other parties to whom the Boone Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 21, 2010

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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance

Board of Education
Boone Community School District
Boone, Iowa

Compliance

We have audited the compliance of the Boone Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Boone Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Boone Community School District's management. Our responsibility is to express an opinion on the Boone Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Boone Community School District's compliance with those requirements.

In our opinion, the Boone Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Boone Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-III-IC-1 and 10-III-IC-2 to be material weaknesses.

The Boone Community School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Boone Community School District and other parties to whom the Boone Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 21, 2010

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness identified? yes no
Significant deficiencies identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weakness identified? yes no
Significant deficiencies identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

10.553
10.555
10.556
84.394

Name of Federal Program or Cluster

School Breakfast Program
National School Lunch Program
Special Milk Program for Children
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part II: Findings Related to the General-Purpose Financial Statements

Instances of Noncompliance:

There were no reported instances of noncompliance.

Internal Control Deficiencies

Prior year deficiencies have not been resolved and have been repeated below as items 10-II-IC-1, 10-II-IC-2 and 10-II-IC-4.

10-II-IC-1 Segregation of Duties

Finding - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability.

We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Auditor's Recommendation - This is not an unusual condition, but it is important that management be aware that the condition exists.

District's Response - We will monitor this situation and continue to segregate incompatible duties as efficiently as possible.

Auditor's Conclusion - Response accepted.

10-II-IC-2 Internal Controls

Finding - The Business Manager makes journal entries as needed for such things as to correct errors in data entry. These entries are not consistently reviewed by a second person within the accounting department.

Auditor's Recommendation - A qualified person should review the journal entries made by the Business Manager to ensure they are properly supported and appropriate.

District's Response - The District will establish procedures to document a review of all journal entries.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

10-II-IC-3 Disbursements

Finding - During our audit, we noted one disbursement was not properly approved nor was the invoice properly canceled to prevent duplicate payment. We also noted that disbursements for one month were not published in the newspaper as required by law. Additionally, we noted two disbursements to District officials reimbursing expenses which may not meet the requirements of public purpose.

Auditor's Recommendation - The District should review procedures in place to ensure that all expenditures are properly approved, properly canceled and all disbursements are properly published. Procedures should be strengthened to ensure only disbursements which meet the requirements of public purpose are approved and paid.

District's Response - The District will ensure that all expenditures have the appropriate approval and are properly canceled and that all disbursements are published. Additionally, we will take steps to ensure that all disbursements meet the public purpose requirements.

Auditor's Conclusion - Response accepted.

10-II-IC-4 Board Approval of Disbursements

Finding - The District often pays bills before they are approved by the Board of Education.

Auditor's Recommendation - Each batch of claims should be summarized and presented to the Board for approval before being paid.

District's Response - The District will be revising the bill payment cycle to be in accordance with Board policy.

Auditor's Conclusion - Response accepted.

10-II-IC-5 Student Information

Finding - Student information entered into the District's software is now being used to obtain state identification numbers of the District's Certified Enrollment. We noted the information entered into the system is not verified or cross checked to original source documents by a person other than the person entering the information.

Auditor's Recommendation - The District should establish procedures to ensure that student information is verified and that students are not duplicated within the software.

District's Response - We will review the current procedures to determine what improvements can be made and implement a process to verify student information within the software.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance:

There were no reported instances of noncompliance.

Internal Control Deficiencies

Prior year deficiencies have not been resolved and have been repeated below as items 10-III-IC-1 and 10-III-IC-2.

All Programs Displayed on the Schedule of Expenditures of Federal Awards

10-III-IC-1 Segregation of Duties

Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 10-II-IC-1 for additional information.

10-III-IC-2 Internal Controls Over Federal Revenue and Expenditures

Finding - The District does not have proper internal controls in place to provide reasonable assurance that the grant requirements are properly met, or if there are errors, that those errors would be detected by the procedures required by the internal control system.

Auditor's Recommendation - The District should establish proper internal control procedures to ensure that grant requirements are properly met.

District's Response - The District is working on an accounting manual that will include new internal control procedures that should, when implemented, provide the proper level of controls.

Auditor's Conclusion - Response accepted.

Part IV: Other Findings Related to Statutory Reporting

10-IV-A Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the certified budget amounts.

10-IV-B Questionable Expenditures - Two expenditures were noted that may not meet the requirements as defined in an Attorney General's opinion dated April 25, 1979, as noted in finding 10-II-IC-3.

10-IV-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

- 10-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.
- 10-IV-E Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 10-IV-F Board Minutes** - As previously noted, one transaction requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa. We also noted disbursements for one month were not published as required by Chapter 279.35 of the Code of Iowa.
- 10-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 10-IV-H Supplementary Weighting** - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 10-IV-I Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.
- 10-IV-J Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
- 10-IV-K Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 10-IV-L Statewide Sales and Services Tax** - No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ 306,802
Statewide sales and services tax revenue.....	1,301,210
Expenditures/Transfers Out	
School Infrastructure	
Transfers to Debt Service Fund	<u>(1,540,750)</u>
Ending Balance	<u>\$ 67,262</u>

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

The statewide sales, service and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levy:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$2.9967	\$ 1,301,210

10-IV-M Revenue Bonds - The District is in compliance with reserve account and sinking account requirements.